

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SOUTH CENTRAL BELL TELEPHONE COMPANY'S)	
SPECIAL SERVICE CONTRACT ARRANGEMENT FOR)	CASE NO. 90-140
DIGITAL ESSX SERVICE WITH ALLIANT HEALTH)	
SYSTEM)	

O R D E R

On July 10, 1990, an Order was issued granting the request of South Central Bell Telephone Company ("South Central Bell") for conditional approval of its ESSX special contract with Alliant Health System of Louisville ("Alliant"), subject to South Central Bell's willingness to absorb any unrecovered costs and any intrastate revenue deficiency, defined as the difference between existing tariffed rates and the proposed special contract rates, should the Commission find the contract to be unreasonable. South Central Bell was allowed 10 days to notify the Commission whether the conditional approval would be accepted or rejected by the contracting parties. On July 20, 1990, South Central Bell filed a motion for rehearing of the Order. On July 27, 1990, AT&T Communications of the South Central States, Inc. ("AT&T") also filed a petition for rehearing of the Order.

In its motion, South Central Bell objected to the Commission's requirement to absorb any unrecovered costs and any intrastate revenue deficiency. South Central Bell noted it was willing to absorb any amounts below cost and that, in any event,

this amount should not exceed the difference between the contract rate and the contribution it would have received for providing PBX¹ trunks to Alliant.

AT&T requests the Commission to grant AT&T's petition for rehearing and, upon such rehearing, deny approval of the contract pending investigation of the costs associated with the provision of ESSX service.

The Commission finds that both South Central Bell's motion and AT&T's petition should be denied. There are substantial issues in this proceeding such that conditional approval of the contract should only be granted on those terms contained in the July 10, 1990 Order. Foremost of these issues is whether South Central Bell may enter into a special contract for services which are contained in one of its existing tariffs. Other major issues are the reasonableness of approving a contract which fails to recover intrastate costs and the reasonableness of omitting certain outside plant costs. There are too many cost issues that may be in dispute in this proceeding to allow costs to be used as the basis for assessing penalties.

The Commission's conditions for interim approval are reasonable in that in the event the Commission ultimately finds the contract to be unreasonable, it would result in an imputed level of revenues equivalent to that which would have been obtained if South Central Bell had offered the service under its

¹ Private Branch Exchange.

ESSX tariff. South Central Bell is reminded that should the Commission ultimately find the contract to be reasonable, the terms of this conditional approval will no longer apply.

As South Central Bell has the option to offer service under its ESSX tariff without requiring specific Commission approval and in view of the potential competitive disadvantages that may occur from the delays imposed by this proceeding, South Central Bell should be permitted to provide the service subject to the conditions contained in the July 10, 1990 Order.

IT IS THEREFORE ORDERED that:

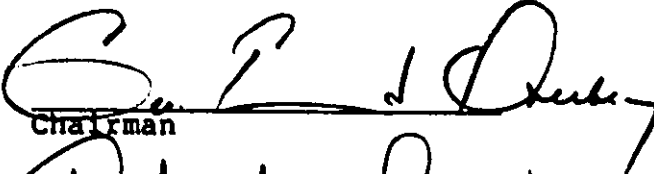
1. South Central Bell's motion for rehearing of the July 10, 1990 Order is denied.

2. AT&T's petition for rehearing and for denial of conditional approval of the contract pending investigation is denied.

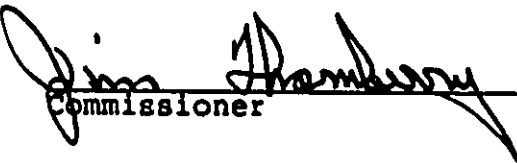
3. Within 10 days from the date of this Order, South Central Bell shall notify the Commission concerning whether the conditional approval in the July 10, 1990 Order will be accepted or rejected.

Done at Frankfort, Kentucky, this 8th day of August, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director